

T-1297

C-IA-BIA-22-84(b)

U.S. DEPARTMENT OF THE INTERIOR

OFFICE OF INSPECTOR GENERAL

AUDIT REPORT

REVIEW OF
INDIVIDUAL INDIAN MONEY ACCOUNTS
ADMINISTERED BY BUREAU OF INDIAN AFFAIRS'
CONCHO AGENCY



This report may not be disclosed to anyone other than the auditee
except by the Assistant Inspector General for Administration,
Office of Inspector General, U.S. Department of the Interior,
Washington, D.C. 20240.

DOI SOL

JULY 1985

DATE

Late Posting. Interest has been consistently calculated and posted late to all individuals' IIM accounts. This lateness of posting has averaged 7 months and ranged from being prompt, 2 months after the end of the semiannual interest period, to 13 months after the period. If interest postings are made too late, they will not be included as increases to account balances on which the next semiannual interest amounts are computed. Based on the lateness of the postings, we calculated that about \$96,000 of compound interest was lost to account holders during the audit period. At the time of our audit, the Agency had not accomplished the last two interest postings (about \$600,000 of interest). The postings were accomplished after being repeatedly advised by the OIG auditors to do so.

Special Deposit Accounts. Interest has never been calculated and posted to special deposit accounts. During the audit period, we calculated that, based on the interest rate provided by BIA's Branch of Investments, the special deposit accounts should have had at least \$148,000 of interest posted to them. OIG auditors were told by Agency personnel that they did not consider the calculating and posting of interest to special deposit accounts to have as high a priority as other IIM objectives; e.g., distribution of oil and gas royalties and other receipts. Consequently, interest applicable to funds in special deposit accounts had simply been ignored. During the audit period, and we believe because of the concern expressed by the auditors, the Agency began to compute interest on these accounts. Although part of that interest (if it had been calculated) would have been returned to the remitters along with their deposits, a significant portion of the interest eventually would have been distributed to IIM account holders. Consequently, we believe that the Agency should make a reasonable attempt to compute the interest that would have accrued in these special deposit accounts and distribute this interest to the appropriate IIM accounts.

Recommendations

We recommend that the Concho Agency:

1. For accounts with balances over \$100,000, recalculate the interest for the two accounts wherein the average weekly balance method was

3. SPECIAL DEPOSIT ACCOUNTS

IIM special deposit accounts are intended to be temporary accounts and 25 CFR 114 indicates that funds held in these accounts are to be distributed as soon as the recipients are identified and determined to be legally entitled to the funds. Excess deposits and unclaimed balances in these accounts should be properly refunded to the depositor according to 42 BIAM 3.10K.

The Agency has not adequately controlled its special deposit accounts, and funds are being improperly retained for long periods of time that either should have been distributed or refunded. As of March 1984, the Agency was maintaining 252 special deposit accounts with balances totaling \$598,729. Of that amount, we found that \$190,351 (32 percent) should have been distributed to IIM account holders or refunded to depositors. And, of the \$190,351, deposits totaling \$56,807 had been improperly retained in the accounts for over five years. Examples of deposits which should have been distributed or refunded follow:

- deposits totaling \$35,405 that belong to 21 non-Indian heirs of deceased Indians.

- right-of-way deposit overpayments of \$4,535 made by Delhi Gas Pipeline between 1977 and 1982.

- deposit of \$5,594 from a 1978 lease sale.

- five farming and grazing lease deposits which should have \$2,129 refunded to depositors, \$6,648 distributed to IIM account holders, and \$3,500 distributed to the Tribe.

- \$23,906 that should have been distributed to the Tribe in 1978.

- 4 other accounts with funds deposited over 5 years ago, which Agency personnel could not explain why the accounts were still being maintained.

Improper retention of deposits not only denies IIM account holders the use of their money, but also increases the likelihood that their money may never be properly distributed to them. This is because there will be a loss, over time, of pertinent information about the deposits.

Although we were given various reasons for some of the undistributed balances in the special deposit accounts, we believe the primary reason for the balances is that there is a lack of a systematic review of the accounts. The Branch of Realty is responsible for reviewing special deposit accounts in order to make appropriate disposal of the balances. This review is required to be done every 6 months according to 42 BIAM 3.10K. Realty personnel stated that they had not performed this review because of a lack of personnel.

Commingling of deposits, as is being done with some special deposit accounts, complicates the review process. For example, the Agency has established an account for receiving all farming and grazing rental deposits. During the period January 26, 1984, through April 20, 1984, 67 deposits were received and 57 distributions were made out of this account. However, 2 of these 57 distributions were in error because their corresponding deposits had actually been placed in two other special deposit accounts. These erroneous distributions were not detected by Concho Agency personnel and the account balance would not have revealed this error without a time consuming reconciliation. A simple procedure of establishing special deposits by allotment or lease number would make these account balances more easily identifiable and less vulnerable to misapplication.

The Agency is now utilizing a computerized record-keeping system. An Inactive Accounts List, which shows the date of the last transaction of each special deposit account, can be obtained from the Area Office upon request. We requested this list from the Area Office and found that it only listed accounts with balances up to \$100. Further, it contained several other shortcomings (such as absence of aging, and commingling of accounts) which in total make the report of little use. We have noted these problems with the inactive accounts listing at other agencies as well, and we believe that a system-wide change in the programming for this report is needed. We will be addressing this problem in an overall report. Once it is correct, it would not require a great deal of time to periodically obtain and review this list and take appropriate action on special deposit funds which no longer need to be retained.

6. TRIBAL ACCOUNTS

As of March 1984, the Agency was maintaining 21 Tribal accounts with balances totaling about \$85,000. Eight of those accounts with balances of about \$36,000 relate to Tribal operations. Annually, Tribal trust funds are transferred to a Tribal IIM account for Tribal operations from BIA's Division of Financial Management (apparently a new account is established each year). The funds stay in the IIM account until the Tribe requests the funds, which could be up to several months after the transfer. However, since the Agency takes so long to compute and post interest (as previously discussed in the interest computation finding), the interest earned on the Tribal trust fund is posted to the IIM accounts after the funds have been transferred to the Tribe. Subsequently, the Agency neglected to transfer this earned interest to the Tribe each year. We do not take exception to the Tribal trust funds being transferred to IIM accounts; however, we believe the funds, upon receipt, should be immediately transferred to the Tribe. As long as the funds remain in the IIM account and earn interest, they manifest all the characteristics of voluntary deposits, which are prohibited by 25 CFR 115.6.

The remaining 13 Tribal IIM accounts (with total balances of about \$34,000) contain per capita funds for Tribal members who can not be located or whose eligibility is being questioned for various reasons. Also included in the accounts are about \$15,000 of BIA administrative funds to be used for distribution of the per capita payments.

It is probably immaterial whether per capita payments are placed in Tribal IIM accounts or special deposit accounts since both types of accounts will earn interest. The important thing is that nothing has been done with these moneys since they were placed in the Tribal IIM accounts. As far as we could determine, no effort has been made to locate any of the individuals or to resolve their eligibility. This is important since the Agency is required by Public Law 87-283 to return per capita payments to the Tribe after six years if they are not distributed. Some of these funds already have been in these Tribal accounts for five years.

We believe the first thing the Agency should do is transfer the per capita funds of those individuals that can't be located to their individual IIM accounts. It is assumed that the Agency will then make a reasonable attempt to locate these individuals, if our recommendation in the Unclaimed Moneys' finding is implemented. The Agency should then identify all the remaining per capita funds to particular individuals, and determine which individuals are eligible to receive those funds. Finally, we feel that the administrative funds should be placed in a separate account (preferably a special deposit account) so they can be more easily identified and managed.

Recommendations

We recommend that the Concho Agency:

1. Transfer to the Tribe all interest that currently remains in the eight Tribal IIM accounts and close out those accounts.
2. From now on, when Tribal trust funds are transferred to a Tribal IIM account, immediately transfer the funds to the Tribe.
3. Identify all per capita funds in the 13 Tribal IIM accounts belonging to individuals that can't be located, transfer those funds to those individuals' IIM accounts, and classify those accounts as whereabouts unknown.
4. Identify all per capita funds in the 13 Tribal IIM accounts belonging to individuals whose eligibility is questionable, and determine the eligibility of those individuals.
5. Distribute per capita funds to those individuals determined to be eligible, as accomplished in recommendation No. 4, and return the remaining funds to the Tribe.
6. Transfer BIA administrative funds for distributing per capita funds to a special deposit account.



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
WASHINGTON, D. C. 20245

ATTACHMENT
1 of 5

IN REPLY REFER TO:
Branch of Systems Control
Code 853

MAY 17 1985

Memorandum

To: Office of Inspector General

From: Acting Deputy Assistant Secretary - Indian Affairs

Subject: Response to OIG Draft Audit Report "Review Individual Indian Money Accounts Administered by the Bureau of Indian Affairs' Concho Agency," Report No. C-IA-BIA-22-84(b)

You will find attached the Bureau of Indian Affairs' response to the above subject audit report.

The response addresses each of the thirty-one (31) OIG programmatic recommendations and includes corrective actions to be taken by the Concho Agency.

If additional information is required, please advise.

Theodore B. Henzke

Attachment(s)

15. Recommendation: Review and update the revenue distribution records on a monthly basis to ensure that decedents' and heirs' accounts are timely updated after the probate period has elapsed.
Response: Revenue distribution records will be reviewed and updated monthly beginning March 1985.

E. UNCLAIMED MONEYS

16. Recommendation: Review all IIM accounts classified as whereabouts unknown and for all account balances under \$5.00 belonging to individuals whose whereabouts have been unknown for more than one year, transfer these amounts to Treasury account 141060.
Response: An action plan will be developed for completion on this recommendation by September 30, 1985.
17. Recommendation: For all account balances over \$5.00, make a reasonable attempt to locate the account holders.
Response: Same as No. 16.
18. Recommendation: For those account holders that cannot be located after a reasonable attempt is made, and whose whereabouts have been unknown for more than one year, deposit these amounts to Treasury account 20X6133.
Response: An action plan will be developed and implemented by June 1985 to locate account holders. Those whose whereabouts have been unknown for more than a year in June 1986 will have their money deposited in Treasury account 20X6133.

F. TRIBAL ACCOUNTS

19. Recommendation: Transfer to the Tribe all interest that currently remains in the 8 Tribal IIM accounts and close out those accounts.
Response: Six Tribal accounts were closed out in March 1985. Remaining two accounts will be closed by June 30, 1985.
20. Recommendation: From now on, when Tribal trust funds are transferred to a Tribal IIM account, immediately transfer the funds to the Tribe.
Response: Data transcribers have been instructed to post Tribal account transfers within 5 days of receipt.
21. Recommendation: Identify all per capita funds in the 13 Tribal IIM accounts belonging to individuals that can't be located; transfer those funds to those individuals' IIM accounts, and classify those accounts as whereabouts unknown.
Response: An action plan will be developed to implement this recommendation by June 30, 1985.
22. Recommendation: Identify all per capita funds in the 13 Tribal IIM accounts belonging to individuals whose eligibility is questionable, and determine the eligibility of those individuals.
Response: Same as No. 21.